

06-04-Payments of Countywide Obligations

Fund/Agency: 001/06		Department of Finance
Personnel Services	\$640,339	<p style="text-align: center;">CAPS Percentage of Agency Total</p> <p style="text-align: center;">82.5%</p> <p style="text-align: center;">17.5%</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> ■ Payments of Countywide Obligations ■ All Other Agency CAPS </div>
Operating Expenses	\$491,105	
Recovered Costs	\$0	
Capital Equipment	\$0	
Total CAPS Cost:	\$1,131,444	
Federal Revenue	\$0	
State Revenue	\$159,435	
User Fee Revenue	\$0	
Other Revenue	\$0	
Total Revenue:	\$159,435	
Net CAPS Cost:	\$972,009	
Positions/SYE involved in the delivery of this CAPS	16/16	

► CAPS Summary

Under Virginia law, the Director of Finance is responsible for all payments of County and Schools obligations. Payments are made by check, by electronic funds transfer, and to a limited extent, by cash. The payment services process includes a carefully controlled and administratively separate accounts payable operation, check-writing and electronic payment authorization, and bank relationship management.

The accounts payable program manages prompt payment of all obligations, producing over 330,000 checks annually within 30 days of invoicing and receipt of goods in compliance with mandated prompt payment guidelines. In addition, the County's objective is to take 100 percent of discounts available from vendors when special payment terms are offered. Payment operations also support all payroll, retirement, debt service, employee reimbursement, tax refunds, and inter-government payments.

Funding is provided by the County's General Fund. Part of the salary costs for this CAPS is recovered from the Commonwealth's Compensation Board.

Department of Finance

In FY 2001, the Department of Finance completed conversion of its checkwriting system from a labor-intensive mainframe process to an efficient laser printing capability. To achieve greater efficiency, the Director of Finance delegated to the Schools authority to produce their own payroll checks, using a system identical to the County's. This partnership approach provides each with an off-site backup capability and significantly reduced the cost of acquisition.

To prevent fraudulent access to County and Schools accounts, we utilize a positive pay service and on-line access to the bank's records. Positive pay denies payment of any check not previously reported by the County as having been issued. Through online access, we are able to immediately obtain the details and an image of all checks presented to the bank for payment. This capability also enables the County to stop payment on any check that has been issued.

An FY 2002 initiative that we are developing is the capability to replace many check payments with electronic deposits to the recipients' accounts. The payments industry has not yet developed uniform standards for electronic invoicing to make feasible automatic deposits of vendor claims. Staff participates actively in commercial bank training opportunities, local government professional groups, and commercial treasurers' associations to keep the County positioned to implement cost-saving technologies. The cost of technologies recently introduced was recovered within the first year of operation. In addition, the number of staff and the hours spent on this service have steadily decreased since 1997.

► **Method of Service Provision**

This service is provided directly by County Staff.

► **Performance/Workload Related Data**

There are three distinct operations in the Payments CAPS: accounts payable; check-writing; and check security. The number of invoices and direct payments is expected to remain at a constant rate of some 200,000 per year for the foreseeable future. Checks resulting from payables operations are printed and mailed on a same-day basis, 98 percent of the time. Through process improvement we expect to raise that to 99.9 percent in FY 2002. Automation initiatives and inventory management have brought down the per-check cost from \$0.45 in FY 1998 to \$0.15 in FY 2001. Operating cost increases due to inflation will be offset by savings in staff efficiency. The final phase of the payables process, check security, has been fortified by a relatively new tool called Positive Pay. Historical cost data are not available, but this process results in savings in staff time for bank account reconciliation (part of the Financial Control and Compliance CAPS.) By discovering unusual items before they are posted to the County's bank account, loss due to check fraud is virtually eliminated and time-consuming after-the-fact research is avoided. We have introduced imaging solutions to the checking process, replacing microfilm storage and retrieval systems with a lower cost digital image solution.

► **Mandate Information**

This CAPS is Federally or State mandated. The percentage of this CAPS' resources utilized to satisfy the mandate is 76 - 100%. The specific Federal or State code and a brief description of the code follows:

- Code of Virginia 15.1-766(e) Director of Finance responsible for disbursement of funds.